



Independent Schools  
Council of Australia

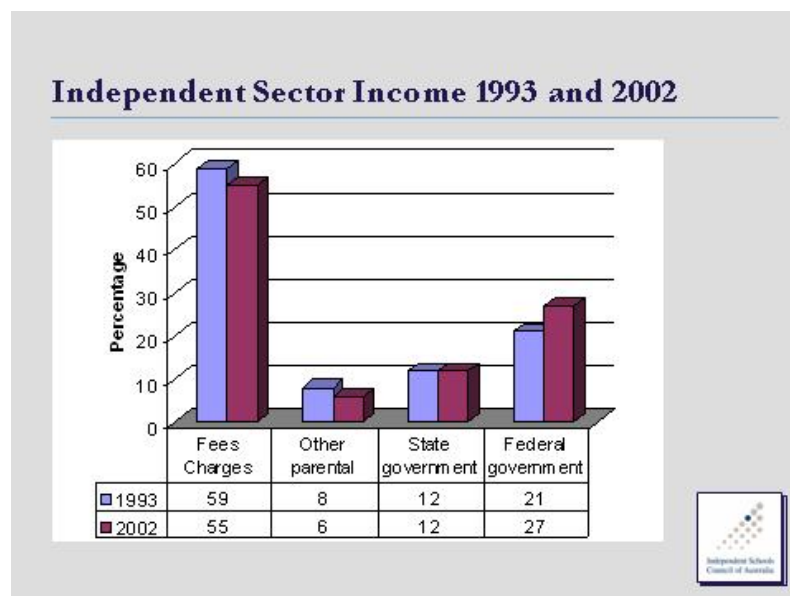
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Address by Bill Daniels, Executive Director  
Independent Schools Council of Australia

## Schools Funding and the Politics of Partnership

The independent schools sector in Australia is supported by a funding partnership comprising the Australian Government, state and territory governments, and parents. But they are not equal partners: private contribution is the major source of sector income.

### Who contributes most?



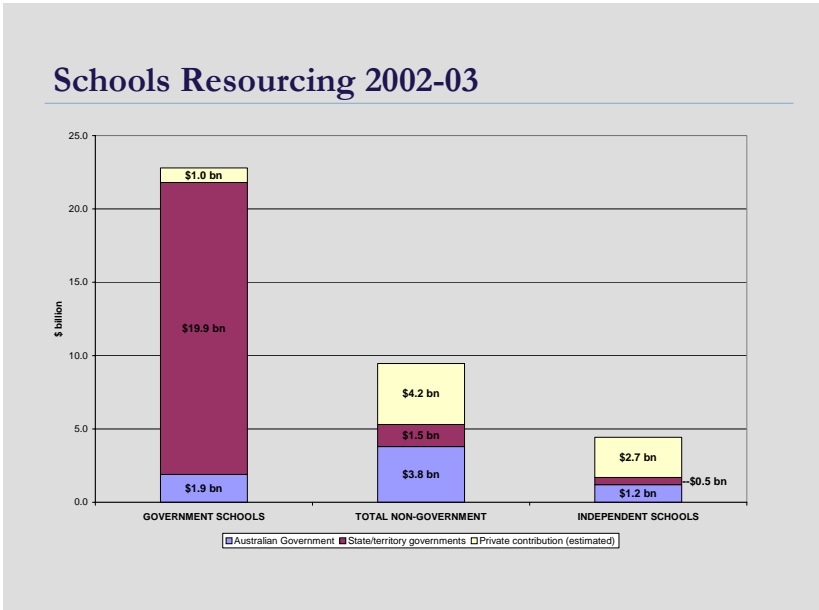
Looking at the independent sector's income in the decade to 2002, we can see that while private contribution remained the major source of the sector's income – some 61 per cent as you can see in this slide, being the sum of the two items on the left – government funding as a proportion of sector income increased from 33 to 39 per cent. Government funding is represented by the two sets of columns on the right.

This growth in government funding as a proportion of sector income has come from the Australian Government. In part, this reflects the nature of the general recurrent funding

models, both SES and its predecessor, ERI. Enrolment growth in the sector in recent years has largely been in schools whose students attract a relatively higher level of funding.

While private contribution has decreased as a relative proportion of the full income package, in dollar terms independent school communities are contributing more than ever to Australia’s expenditure on education.

In 1995 families spent 1.5 billion dollars to educate the 295,000 children in independent schools. In 2003 values that’s worth 1.8 billion dollars. In 2003, enrolments in the sector had jumped to 403,000 students and private contribution was worth 2.7 billion dollars. There are now more than 450,000 student attending independent schools and the private contribution figure would be approaching three billion dollars per year.



Looking at the non-government sector as a whole – which is represented by the middle column in this graph – in 2003 governments harvested some 4.2 billion dollars from families toward the cost of schooling in Australia.

As you can see from the column on the left, private contribution in the government sector was worth one billion dollars, or about four to five per cent of the costs of government schooling.

This graph illustrates clearly the relative contribution of the three funding partners in both the government and non-government sectors.

The bar on the far right shows the independent sector separated out from the total non-government sector. Again, it’s plain to see families are the big contributors in the independent sector.

**The power to regulate**

What we can also glean from this graph is that the person who pays the piper does not necessarily call the tune. When it comes to independent schools, governments – and in

particular the state and territory governments – are pretty much getting a gala concert with full symphony orchestra for the price of a budget CD.

I am sometimes asked whether independent schools would be better off to ditch their government funding and retain their autonomy. Let's be clear – meeting the conditions of funding represents a huge administrative burden and therefore cost to schools, but relief from that burden is not the same as autonomy. Governments have the power to regulate our schools and enact legislation governing our operations whether or not they contribute to school costs.

It is far more helpful to view government funding as the sweetener for the bitter pill rather than a poisoned chalice. But, as we know to our cost, that pill is getting larger and more difficult to swallow.

Here's why.

### **New Australian Government Requirements**

- **Data collection on student characteristics**
- **Participation in common national testing and benchmarking tests**
- **100% student achievement of national standards**
- **Commitment to National Safe Schools Framework, National Values Framework**
- **2 hours physical activity per week**
- **Principals' autonomy to hire and fire**
- **Public reporting of school performance measures**
- **Plain English reporting to parents**



As you know, the Australian Government introduced a raft of new regulations as conditions of general recurrent funding for the 2005-2008 funding quadrennium. These regulations apply to schools in all sectors and range from values issues, including flying the Australian flag, to data collection, school performance and student reporting issues.

Could you avoid these regulations if you gave up your federal funding? By and large the answer is 'no'.

These new conditions are also binding on the state and territory governments that enter into schools funding contracts with the Australian Government, and in anticipation of these regulations – or as a result of pressure from government sector interest groups – some states had already moved to make similar or even more onerous requirements part and parcel of the non-government school registration package.

In other words, if the federal government doesn't get you, the states will.

The issue of autonomy is a live one for the non-government sector, but today I want to focus on the new federal regulations to illustrate the stresses and strains that are now emerging in the relationships between our funding partners.

### **Commonwealth-state relations**

There is no doubt the new funding regulations are an attempt by the Australian Government to make the states and territories accountable for the quality of education they deliver. They build on the introduction of national benchmark testing for literacy and numeracy under the previous federal education minister, Dr David Kemp and represent a level of federal intervention in state education provision that is unprecedented in Australia's education history.

#### **'New Federalism' and the Schools Sector**

- \$700 literacy tuition vouchers
- Australian Technical Colleges
- Direct capital grants to government schools
- Right to hire and fire for government school principals
- Common school starting age
- Australian Certificate of Education
- National testing
- National student data collection
- Increasing federal regulation



The changing nature of Commonwealth-state relations and what some see as the centralist tendencies of the Howard government have given rise to the term 'new federalism'.

But as the federal and state governments forge their way to a new relationship over schools, the independent sector is left wearing the collateral damage.

Federal regulations to make the state provision of education more accountable, more transparent, more competitive and more autonomous – all with the aim of driving quality gains – at the same time threaten to undermine the educational autonomy that has underpinned the high quality and unique character of education provision in the independent sector.

The independent sector has not sat back silently and simply observed this exercise.

In particular the sector has been active in negotiations over the new regulations. All state and territory Associations of Independent Schools as well as ISCA made representations to the Department and directly to the Minister. In a nutshell, we have queried the educational value

of some of the draft regulations and the administrative burden and associated costs of the reporting requirements which – for some schools – are a duplication of already onerous state reporting requirements. There is sector-wide concern over the quartile rankings, particularly for students in the early years.

ISCA is now involved in dialogue with the Minister over the quartile rankings. We already have a verbal agreement that the Minister is prepared to soften the requirement to report student academic achievement by quartile rankings. At this stage we are confident that, like the South Australian and Victorian government systems, independent schools in all states and territories will have flexibility in the way they report on student achievement by quartile rankings – and will be able to provide parents with the information if they request it, and still meet the federal funding conditions.

Educational autonomy is certainly a stress point in our relationship with the Australian Government.

### **The power of parents**

The new regulations also illustrate a new dimension to the relationship between our sector's two most important funding partners – the federal government and parents.

#### **Parent Power and Market Discipline**

- Viable non-government sector
- \$700 tuition voucher
- Parent groups involved in Investing in Our Schools capital funding programme
- Publication of school performance measures
- Plain English student reports
- Voucher for students with disabilities



There is no doubt the federal Education Minister is responsive to what parents tell him directly, and to what surveys tell him about parents' views.

There is the potential for considerable political gain from this interest in parents. Federal Labor consistently polls much higher than the Coalition on the question of who is a better manager of education, and it's clear the Coalition is keen to change public perception on this issue. But it would be a serious underestimation of the Minister to see his reforms as nothing more than vote chasing.

First, there is wide agreement in the education sector that Dr Nelson is genuinely committed to improving the quality of education in Australia. Second, his government is committed to using market forces as one measure to drive quality improvements in schools. In this context parents are important because they are major consumers and decision makers in school education. Giving parents choice, and the information to make informed choice, is a means of giving power to the consumer.

The tuition vouchers, which put public grants directly into the hands of parents, are another example of the federal government empowering parents as education consumers. And just last week Minister Nelson announced that he wants to investigate the possibility of a funding voucher for students with disabilities. This has the potential to correct a glaring inequity in school choice.

There is no doubt that parents are an important ingredient in the Government's quality schooling cocktail.

### **Cost-shifting and enrolment drift**

What I have attempted to illustrate through the example of the new funding regulations is that there is a significant political dimension to the way the funding partners inter-relate. What I aim to illustrate now is the political dimension to some of the economic and social factors that affect the funding partnership.

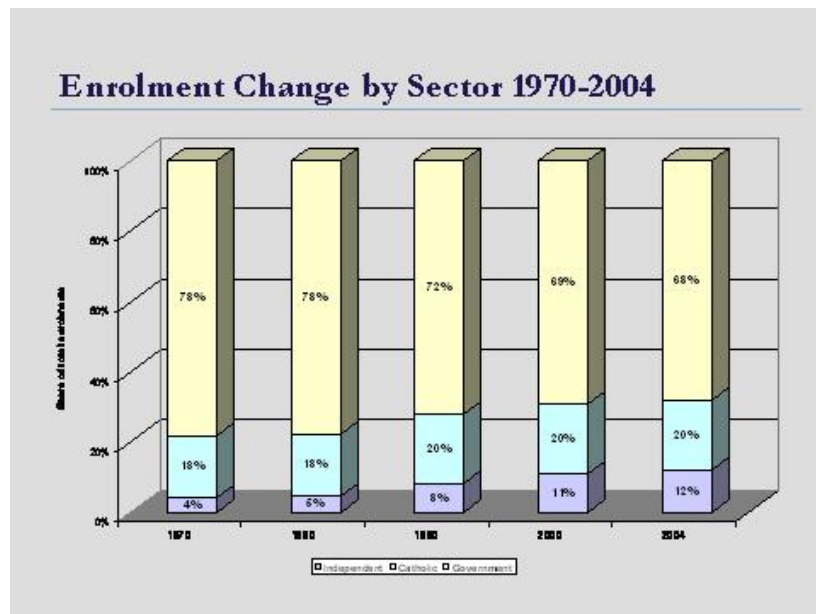
Yet again, we return to Commonwealth-state relations.

Every student educated in the non-government sector represents a shift of the major portion of the cost of schooling for that student from a state government to the federal government, and to parents. No doubt this has pleased state treasurers, just as much as it has been a source of irritation to the federal government. After all, as the federal government's education budget gets bigger, so does the political stick it gets beaten with.



You've seen the headlines – 'Howard government gives more to private schools than public education'. Or, another common – and totally inaccurate – message is the one in this scene from the 2004 election campaign, 'Howard robs public schools to give to the rich'. A message, I might add, that the Daily Telegraph repeated in a headline just a few weeks ago.

While the growth of the non-government sector creates a stress point in the relationship between the federal and state governments, it is also a strain on the relationship between state governments and independent schools.



Over the last 30 years, while enrolments have been growing in the non-government sector, enrolments in the government sector have remained relatively steady even though enrolment share has decreased. This is because the school age population in Australia was growing. Now the school age population is about to decline.

Excess capacity in schools is a serious political problem for state governments. You'll have probably seen how it works in your own electorates – the proposal to close a school only ever comes at the beginning of a government's term of office.

ISCA's enrolment projections to 2010 were published in the first issue of Independent School Business this year and in an Independent Update. This material can also be viewed on our website. So I won't spend time examining those projections today, but it is worthwhile restating that a decreasing school age population is sharpening the competition between the government and non-government sectors. When your competitor is not only your regulator but a funding partner in your enterprise you have real cause for concern.

As some of you already know to your cost, state governments find it all too easy to put the financial squeeze on independent schools. In NSW the total funding pool for non-government schools is set by legislation, and in Victoria the state government has just announced a move to quadrennial funding arrangements for non-government schools. But in other states and territories funding for our schools is an annual budget line item – which makes it very easy to

change or to freeze or lower indexation on general recurrent grants. Even if recurrent funding is legislated, it's still very easy to drop an interest subsidy scheme, for example, or close it off to certain schools.

### **Partners as competitors**

It is important that we recognise that most – if not all (perhaps the exception is the Northern Territory) – state and territory governments do see themselves as active competitors with the non-government sector – and they are making gains.

**State/Territory Governments Are Competitive**

- **Reduced class sizes**
- **Diversity in provision**
- **Combined schools**
- **Specialist schools**
- **Focus on leadership**
- **Status of teachers**
- **Increasing involvement of parents**

DEST report: [High Demand Government Schools](http://www.dest.gov.au), available at [www.dest.gov.au](http://www.dest.gov.au)



What form is this competition taking?

A move to smaller class sizes is one response that has been cited by directors-general of education, as well as a greater focus on school leadership and enhancement of the status of teachers. We're also seeing greater diversity in government sector provision, with streaming for gifted and talented students and the establishment of selective high schools.

In NSW the new senior colleges are showing substantial enrolment growth, and some have waiting lists. Combined schools – a distinguishing feature of the independent sector – are also proving very successful in Queensland.

There is also a move to schools with a curriculum specialisation.

Just last week Kim Beazley announced that a federal Labor government would encourage diversity of choice in state schools, including the development of a system of specialist senior secondary schools.

Last week the federal Department of Education released the results of a survey of high-demand schools in the government sector. It is recommended reading if you want to know more about how state governments are upping the quality of their schooling provision.

## Social and economic factors

As we have seen, it is parents who make the greatest financial contribution to the funding partnership that sustains the independent sector. Let's take a closer look at them.

### Education of Parents

	SECTOR			TOTAL
	Government	Catholic	Independent	
Both parents have a degree	11.8%	8.4%	24.5%	13.1%
Other families	88.2%	91.6%	75.5%	86.9%
Total	100.0%	100.0%	100.0%	100.0%

SOURCE: The Age/SMH school choice survey



First, our parents are highly educated.

Analysis undertaken by the Australian Council for Educational Research last year, based on an AC Nielsen survey for The Age and Sydney Morning Herald, found that of those families surveyed, in around 25 per cent of families with children in independent schools both parents had a degree. As you can see, that's a significant statistic for the sector.

### Parental Education and School Choice

**“[. . .] comparing a schoolteacher and a cabinetmaker on the same income, the schoolteacher is considerably more likely to send his children to Independent school. Indeed, the schoolteacher is more likely than a real estate salesman on twice his income to send his children to Independent school.”**

(Kelley and Evans, 2004, page 12)

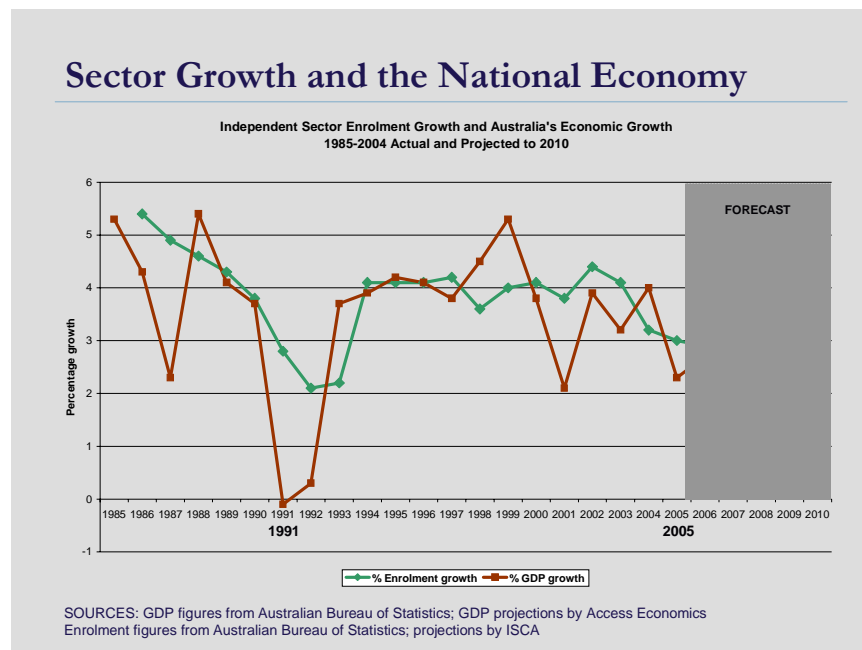


A recent study by two Melbourne Institute researchers, of social factors that influence school choice, found the correlation between choice of an independent school and parental educational level was far stronger than other social factors. I'm now quoting from their research:

‘[. . .] comparing a schoolteacher and a cabinetmaker on the same income, the schoolteacher is considerably more likely to send his children to Independent school. Indeed, the schoolteacher is more likely than a real estate salesman on twice his income to send his children to Independent school.’<sup>1</sup>

The same study found that families in the top income quintile are only two percentage points more likely than middle income families to send their children to independent schools. After controlling for income, this study found parental education and occupation were by far the most significant factors in school choice.<sup>2</sup>

Little wonder, then, that all research on school choice finds that affordability is a significant and ongoing issue for families.



As our topic today is the funding partnership, let's take a closer look at just how economically sensitive parents are – and therefore of course, how economically vulnerable our schools are.

This graph maps independent sector enrolment growth against economic growth since 1985. The green line represents enrolment growth and movement in GDP is shown by the brown

<sup>1</sup> Kelley, J and Evans MDR (2004). Choice between government, Catholic, and independent schools: Culture and community, rather than class. The Australian Social Monitor, Vol 7(2). [Page 12]  
Available at [http://www.international-survey.org/A\\_Soc\\_M/Kelley\\_Evans\\_School\\_Choice\\_ASM\\_forthcoming\\_2004.pdf](http://www.international-survey.org/A_Soc_M/Kelley_Evans_School_Choice_ASM_forthcoming_2004.pdf)

<sup>2</sup> Ibid, page 1, Summary

line. As you can see, and no doubt expected, there is a distinct correlation between enrolment trends and the state of the national economy.

Projecting forward to 2010 – that is the grey area at the right of the graph – we can see that as the decline in school-age population begins to take its toll on the sector, the economy is predicted to remain strong. The International Monetary Fund is also positive on Australia's economic outlook, forecasting higher growth and lower inflation from 2006. You also heard on Tuesday from Robert Gottliebsen and Terry McCrann that they expect economic conditions to remain benign.

This can only be good news for the sector in what will otherwise be a challenging time.

## Looking ahead

### Looking Ahead

- **Increased competition**
- **Some stability in government funding arrangements**
- **Possibility of reduced funding under a federal Labor government**
- **Cost increases associated with administration of new regulatory requirements**
- **Inroads on autonomy**
- **The importance of sector unity**



As we look ahead, there are funding positives. With Victoria moving to quadrennial funding arrangements there is now a strong precedent for other states and territories to follow. Any move to greater funding certainty helps the stability of the sector, as evidenced by the quadrennial arrangements with our biggest government funding contributor – the Australian Government.

I would expect that if the Coalition retains government there will be a continuation of current funding arrangements into the 2009-2012 quadrennium. That's another positive for the sector in terms of stability.

A couple of weeks ago I met with Leader of the Opposition Kim Beazley and shadow minister Jenny Macklin and they were able to confirm that their schools funding policy – as announced last year and as currently published on their website – still stands. This means that unless the ALP changes its mind, if Labor wins federal government there will be a reduction in funding to the independent sector. Our challenge is to make inroads on the size of that reduction if not reversing it before the 2007 federal election. There will also be a new funding model to replace the SES model, based on a National Resource Standard.

I guess, then, that it's not much of a prediction to say the 2007 federal election is shaping to be an interesting one for independent schools.

Nor does it take a crystal ball to predict that benchmarking and national testing and the reporting requirements around them will exert a strong conforming influence on what happens in the classroom. And, as government schools are encouraged to become more like independent schools through increasing autonomy for principals, then a very real challenge for the sector will be how to retain those characteristics that make each school a distinctive education community.

There is now a reinvigorated public debate over schooling issues, including funding.

The federal government's tuition vouchers, the Australian Technical Colleges, the direct capital grants to government school communities and the possibility of vouchers for students with disabilities are all initiatives that have the potential to influence community expectations of the government funding of schools.

The idea of an integrated government and non-government sector has also been raised in some quarters. As those of you here who hail from Victoria would be well aware, it is an idea that has been proposed to the Victorian government by Allen Consulting, it is being promoted by the Victorian Education Foundation and supported by The Age newspaper.

Remember too that at the last federal election the ALP announced that it had entered into an agreement with the National Catholic Education Commission to establish a charter that held the potential for increased government funding for non-government systemic schools while stipulating enrolment policies and fee levels.

The autonomy of non-government schools to decide their own fee levels and to serve particular communities is in fact the greatest freedom the sector currently enjoys. But it is clear the sector faces both internal and external pressures on its autonomy.

It is my view that to effectively manage external pressures the independent sector must reach internal agreement on what freedoms it values most.

If independent schools cannot manage their relationship with each other, they will most certainly have difficulty in managing their relationship with the government partners in the funding relationship. But most vital to the continued health of the sector will be the health of the relationships independent schools maintain with their parent communities. And central to that relationship is the welfare of our students. After all, our sector has flourished not because of what we do for governments, but what we are able to do for students.

Thank you.

ENDS